



GAIL (India) Limited

Dividend Distribution Policy

1.0 Introduction:

- 1.1. Pursuant to Regulation 43A of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2016 (the “Listing Regulations”) dated 8th July 2016, the Board of Directors (Board) of GAIL (India) Limited (GAIL/ the Company) has adopted the Dividend Distribution Policy on 24th March 2017.
- 1.2. This Policy shall be known as GAIL Dividend Distribution Policy (the “Policy”).

2.0 Effective Date

The Policy shall become effective from the date of its adoption by the Board, i.e., 24th March 2017.

3.0 Objective of the Policy

Dividend Distribution Policy reflects the intent of the Company to reward its shareholders by sharing a portion of its profits after retaining sufficient funds for growth of the Company. The Company is committed to deliver sustainable value to all its stakeholders.

4.0 Statutory Requirements

The Board shall comply with the following statutory requirements and Government guidelines while taking decision of a dividend payout during a particular year:

- 4.1. The Companies Act 2013 and rules applicable thereon including those with respect to mandatory transfer of a certain portion of profits to any specific reserve which may be applicable to the Company at the time of taking decision with regard to dividend declaration/retention of profit.
- 4.2. Guidelines on “Capital Restructuring of Central Public Sector Enterprises” issued by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, Department of Public Enterprises dated 27th May, 2016 which inter-alia states:

Quote

*“In supersession of earlier guidelines, every CPSE would pay a **minimum annual dividend of 30% of PAT or 5% of the net-worth, whichever is higher** subject to the maximum dividend permitted under the extant legal provisions.*

Nonetheless, CPSEs are expected to pay the maximum dividend permissible under the Act under which a CPSE has been set up, unless lower dividend proposed to be paid is justified after the analyses of the following aspects, on a case to case basis, at the level of Administrative Ministry/Department with the approval of Financial Advisers:

- i. *Net-worth of the CPSE and its capacity to borrow*
- ii. *Long term borrowings*
- iii. *Capital expenditure/Business Expansion needs*



- iv. *Retention of profit for further leveraging in line with the capital expenditure needs*
- v. *Cash and bank balance*

The analysis should confirm that the retention of funds augmenting its net worth is being optimally leveraged to ensure higher investment by the CPSEs. The report for exemption, if any, in this regard will be submitted by the CPSEs through their Administrative Ministry to Secretary, Department of Economic Affairs and Secretary, DIPAM before the end of second quarter of the financial year.”

Unquote

- 4.3. Any other laws/ guidelines/ regulation, to the extent applicable

5.0 Circumstances under which the shareholders of the Company may or may not expect dividend

The Company has been consistently paying out dividends to its shareholders and can be reasonably expected to continue declaring in future as well, unless the Company is restrained to declare dividends under following circumstances:

- 5.1. Inadequacy of profits - If during any financial year, the Board determines that the profits of the Company are inadequate, the Board may decide not to declare dividends for that financial year.
- 5.2. Dividend not to be declared out of reserves - In general, the Board shall not declare any dividends out of its reserves, except for reasons to be expressly laid down. Any decision in this regard shall be reflected in the Annual Report of the Company while declaring/ recommending dividend.
- 5.3. Previous Losses & Depreciation – As per section 123 (1) of Company’s Act, Company shall not declare dividend unless carried over previous losses and depreciation not provided in previous year or years are set off against profit of the company for the current year.

6.0 Internal & External Factors / Parameters to be considered by the Board for recommending/ declaring dividend

Final Dividend is recommended by Board in meeting that considers and approves the annual financial statements, which is subject to approval of shareholders at the Annual General Meeting. The Board may also declare Interim Dividend(s).

Generally, the factors that may be considered by the Board before recommending / declaring Dividend include, but are not limited to:

- 6.1. **Realized and Projected Profitability, Earnings per share, Net-worth & Cash flows** of the Company during the year - If the Company cannot generate adequate operating cash flow, it may need to rely on outside funding to meet its financial obligations and sometimes to run the day-to-day operations.
- 6.2. **Borrowing levels, loan covenants, cost of borrowings and capacity to borrow for meeting present & future capital expenditure plans** of the Company including organic/inorganic growth avenues like M&A etc.



- 6.3. **Obligations to creditors & lenders** without much difficulty over a reasonable period of time - Company should be able to repay its debt obligations without much difficulty over a reasonable period of time.
- 6.4. **Past performance/ Dividend history** and impact of Dividend on reputation of the Company
- 6.5. **Dividend distribution tax or any tax deduction at source** as required by tax regulations in India, as may be applicable at the time of declaration of dividend and its impact on the finances of GAIL
- 6.6. **Macroeconomic conditions** - Considering the state of economy in the Country, the policy decisions that may be formulated by the Government and other similar conditions prevailing in the international market which may have a bearing on or affect the business of the Company, the management may consider retaining a larger part of the profits to have sufficient reserves to absorb unforeseen circumstances.
- 6.7. **Guidelines issued by Government** from time to time - DIPAM guidelines dated 27th May, 2016 on “Capital Restructuring of Central Public Sector Enterprises”, the Company may seek exemption from payment of Dividend at the prescribed rate (as deliberated at Sl. 4.2 above) by submitting a report for exemption through Administrative Ministry to DIPAM before the end of second quarter of the financial year. These guidelines will be applied by the Company for seeking exemption, whenever required.
- 6.8. Any other factor as may be deemed fit by the Board

7.0 Utilisation of Retained Earnings

The retained earnings will be deployed in line with the objects of the Company as detailed in the Memorandum of Association of the Company. The profits being retained in the business shall be continued to be deployed by the Company in various projects/ plans as considered appropriate by the Board of the Company.

8.0 Scope of Policy & Parameters to be adopted with regard to various classes of shares

- 8.1. The Policy would provide the guiding principle for the Board for recommending dividend, which is made every year after taking into consideration all the relevant circumstances enumerated above or other factors as may be decided as relevant by the Board. However, declaration of dividend on the basis of parameters in addition to the elements of this Policy or resulting in amendment of any element of the Policy, in the interest of the Company, will be disclosed in the Annual Report as well as on the website of the Company.
- 8.2. GAIL has presently only one class of shares, i.e., equity shares. As and when it proposes to issue any other class of shares, the Policy shall be modified accordingly.
- 8.3. The scope of Policy excludes:
 - 8.3.1. Determination and declaring dividend on preference shares, if any to be issued by GAIL at a later date, as the same will be as per the terms of issue approved by the shareholders;



- 8.3.2. Distribution of dividend in kind, i.e., by issue of fully or partly paid bonus shares or other securities, subject to applicable law;
- 8.3.3. Distribution of cash as an alternative to payment of dividend by way of buyback of equity shares.

9.0 Manner and timelines for Dividend Payout

- 9.1. Interim dividend
 - 9.1.1. Interim dividend(s), if any, shall be declared by the Board.
 - 9.1.2. In case no final dividend is declared, interim dividend paid during the year, if any, will be regarded as final dividend in the annual general meeting.
- 9.2. Final dividend
 - 9.2.1. Recommendation, if any, shall be done by the Board, usually in the Board meeting that considers and approves the annual financial statements, subject to approval of the shareholders of the Company.
 - 9.2.2. The dividend as recommended by the Board shall be approved/declared at the annual general meeting of the Company.
- 9.3. The payment of dividends shall be made within 30 days from the date of declaration to the shareholders entitled to receive the dividend on the record date/book closure period as per the applicable law.

10.0 Amendment

- 10.1. In the event of the Policy being inconsistent with any new regulatory provision, such regulatory provision shall prevail upon the corresponding provision of this Policy and the Policy shall be construed to be amended accordingly from the effective date of such provision.
- 10.2. All changes and amendments to this Policy shall be made following a decision passed by the Company's Board of Directors.